

Message Text

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73

ACTION EB-11

INFO OCT-01 EUR-25 ADP-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 ABF-01 STR-08 CEA-02 SS-15 NSC-10

PA-03 PRS-01 USIA-12 RSR-01 /152 W

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R 261547 Z JUN 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 5920

INFO USMISSION OECD PARIS

UNCLAS BONN 9148

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E. O. 11652: N/ A

TAGS: EFIN, GW

SUBJECT: CENTRAL BANK AND FEDERAL GOVERNMENT TAKE FURTHER
STEPS TO TIGHTEN MONETARY POLICY

1. AT ITS JUNE 26 MEETING THE CENTRAL BANK COUNCIL INCREASED
BY ABOUT DM 1.5 BILLION THE MINIMUM RESERVES BANKS HAVE TO
HOLD AGAINST FOREIGN LIABILITIES BY REDUCING BY 25 PERCENT
THE BASE FIGURES INCREASES OVER WHICH ARE SUBJECT TO A
SPECIAL ADDITIONAL 60 PERCENT MINIMUM RESERVE REQUIREMENT.
THE MEASURE IS INTENDED TO COMPENSATE FOR THE REDUCTION
WHICH HAS TAKEN PLACE IN THE LAST FEW MONTHS IN MINIMUM
RESERVES DUE TO A CONVERSION OF SOME FOREIGN INTO DOMESTIC
LIABILITIES.

2. THE FRG HAS DECIDED TO ISSUE ANOTHER TRANCH OF ITS
STABILITY LOAN IN JULY AND STERILIZE THE PROCEEDS IN THE
BUNDESBANK-- THUS REDUCING THE LIQUIDITY OF THE COMMERCIAL
BANKS. AMOUNTS AND TERMS OF THE LOAN HAVE NOT YET BEEN
ANNOUNCED.

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3. THE BUNDESBANK ALSO UPPED EFFECTIVE TOMORROW THE
INTEREST RATES OF THE MONEY MARKET PAPERS IT IS OFFERING
IN OPEN MARKET TRANSACTIONS. HILLENBRAND

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NNNNMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** UNCLASSIFIED

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts:
Control Number: n/a
Copy: SINGLE
Draft Date: 26 JUN 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973BONN09148
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: BONN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730629/aaaajois.tel
Line Count: 69
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 24 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Aug-2001 by cunninfx>; APPROVED <27-Aug-2001 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> wfs 980225
Subject: CENTRAL BANK AND FEDERAL GOVERNMENT TAKE FURTHER STEPS TO TIGHTEN MONETARY POLICY
TAGS: EFIN, GW
To: EB
OECD PARIS
SECSTATE WASHDC
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005